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AGENDA ITEM 7

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. SUBJECT:** CalPERS 2006-09 Three-Year Business Plan Update
- II. PROGRAM:** Systemwide
- III. RECOMMENDATION:** Approval of the CalPERS 2006-09 Three-Year Business Plan and transmittal to the Legislature as specified below.
- IV. ANALYSIS:**

The CalPERS Board of Administration formally adopted the CalPERS Strategic Plan in 2005 and the supporting CalPERS Three-Year Business Plan (Attachment I) in September 2006. In the CalPERS 2006-09 Three-Year Business Plan, the organization established specific business objectives targeted for fiscal years 2006-07 through 2008-09. This agenda item presents the final update of accomplishments on the objectives.

The updated CalPERS 2006-09 Three-Year Business Plan will be transmitted, via the attached transmittal letter, upon approval by the Board of Administration to the Joint Legislative Budget Committee, Fiscal Committees of the Legislature, the State Controller, and the Department of Finance in accordance with the Budget Act of 2007; and the Legislative Analyst's Office and the State and Consumer Services Agency.

2006-09 Final Strategic Plan Update

This final update of the 2006-09 CalPERS Three-Year Business Plan is attached for your information. It reflects the progress and status of the 13 business objectives with a December 31, 2007, completion date.

The following is a summary of the objectives with a December 31, 2007, completion date:

Goal II. Foster a work environment that values quality, respect, diversity, integrity, openness, communication, and accountability.

Objective #2.1 – By December 31, 2007, improve employee favorable response by 5 percent over the 2005 baseline by completing the Accountability for Performance initiative.

- **Completed** – By streamlining and simplifying the employee performance review process, including developing new tools and training, the Accountability for Performance initiative achieved a 10 percent improvement in employee favorable responses on the three related questions in the 2007 Employee Survey.

Objective #2.2 – (Also shown as Objective #3.1) By December 31, 2007, improve employee favorable response by 5 percent over the 2005 baseline by completing the Growth and Development initiative.

- **Completed** – By developing functional area training programs for primary business lines and individual career development training plans, the Growth and Development initiative achieved a 14 percent improvement in employee favorable responses on the six related questions in the 2007 Employee Survey.

Objective #2.3 – By December 31, 2007, improve employee favorable response by 5 percent over the 2005 baseline by completing the Managing Workload initiative.

- **Measure Partially Completed** – Several initiatives were completed to assist staff with managing workload, as well as the addition of new staff through the mid-year and annual budget cycles. While some signs of improvement can be seen, the Managing Workload initiative achieved only a 1 percent increase in employee favorable responses on the eight related questions in the 2007 Employee Survey. This response may have been impacted by ongoing, major enterprise-wide initiatives, such as the Pension System Resumption and Enterprise Transition Management projects. This issue remains a priority for the CalPERS management team, who are working on development of a new business objective focusing on workload issues that will be included in the 2008-11 Three-Year Business Plan.

Objective #2.4 – By December 31, 2007, improve employee favorable response by 5 percent over the 2005 baseline by completing the Open Communication and Employee Engagement initiative.

- **Completed** – By increasing leadership presence and communication, and educating staff on current and future marketplace challenges, the Open Communication and Employee Engagement initiative achieved a 20 percent improvement in employee favorable responses on the six related questions in the 2007 Employee Survey.

Goal III. Sustain a high performance work culture utilizing staff development, technology, and innovative leadership and management strategies.

Objective #3.1 – (Also shown as 2.2) By December 31, 2007, improve employee favorable response by 5 percent over the 2005 baseline by completing the Growth and Development initiative.

- **Completed** – By developing functional area training programs for primary business lines and individual career development training plans, the Growth and Development initiative achieved a 14 percent improvement in employee favorable responses on the six related questions in the 2007 Employee Survey.

Goal V. Provide sustainable pension benefit products and services responsive to and valued by members, employers, and stakeholders.

Objective #5.1 – By December 31, 2007, establish a Board approved methodology for our employers, members and their representatives, and stakeholders to use when designing and selecting benefits.

- **Measure Revised** – Initiatives for this objective were originally planned to be completed by December 31, 2007, but are still currently underway. The due date for this measure has been extended to December 31, 2008, and is reflected in the CalPERS Three-Year Business Plan for 2008-11.

~~X~~ Goal X. Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

Objective 10.2 – Annually maintain the number of contracting agencies at or above 98 percent of 2006 levels.

- **Completed** – As a result of ongoing employer outreach and marketing, for 2007, the number of contracting agencies achieved a 99.5 percent retention rate.

Goal XII. Engage and influence the health care marketplace to provide medical care that optimizes quality, access, and cost.

Objective #12.1 – By December 31, 2007, consistent with CalPERS “Partnership for Change”, maintain publicly available standardized hospital quality and cost efficiency data to help members make informed health care decisions.

- **Measure Partially Completed** – In March 2007, the California Hospital Assessment and Reporting Taskforce Steering Committee, of which CalPERS is a member, released a public Web site where consumers can view comprehensive report cards on quality of care, patient satisfaction, and safety measures for California hospitals.

The CalPERS Partnership for Change continues its collaborative work with the Pacific Business Group on Health and the California Healthcare Coalition in California to establish the Hospital Value Initiative (HVI). The HVI goal is to develop a standard set of inpatient hospital cost-efficiency measures. Since September 2007, the work of the HVI has been on hold pending resolution of antitrust issues.

HVI filed a formal request for a determination on this issue with the Department of Justice and anticipates a response by the end of the first quarter of 2008. After the antitrust issues are resolved, HVI will need to re-engage with the hospitals and the California Hospital Association to move forward. This objective has been extended and is included in the CalPERS 2008-11 Three-Year Business Plan.

Conclusion

This update closes the Calpers 2006-09 Three-Year Business Plan. The business plan contained a total of 13 objectives with September 30, 2006, and December 31, 2007, deliverable dates.

To date, staff have reported completion of:

- Objective 6.1 (December 2006)
- Objectives 11.1 and 12.3 (June 2007)
- Objectives 1.1 and 1.2 (December of 2007)
- Objectives 2.1, 2.2, 2.4, 3.1, and 10.2 (as reported above)

Work related to Objectives 2.3, 5.1, and 12.1 remain in progress and will be addressed in the CalPERS 2008-11 Three-Year Business Plan.

V. RESULTS/COSTS:

Cost and resource needs associated with the projects and other activities identified in the Three-Year Business Plan have already been allocated.

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Attachments